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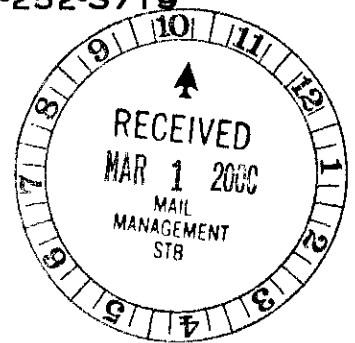
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SURFACE TRANSPORTATION BOARD STB Ex Parte No. 582 PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

COMMENTS OF TEXAS AGGREGATES AND CONCRETE ASSOCIATION

The intent of this correspondence is to present formal comments from the Texas Aggregates and Concrete Association (TACA) to the Surface Transportation Board (STB) on major rail consolidations and their affect on our industry. TACA is a statewide trade association consisting of 400 member companies involved in all facets of the construction materials industry. In that capacity, TACA represents approximately 85% of the aggregate, 95% of the cement and 90% of the concrete produced annually in Texas. The products produced by the aggregate, cement and concrete industries are vital ingredients for the continued success of the construction industry, as a whole. Using this premise, approximately 400,000 jobs associated with the construction industry in our state are strongly affected by the efficient movement of building materials to their intended destination.

As the largest statewide trade association for construction materials, TACA is concerned about the long term impact of rail mergers on our industry. This industry suffered severe service disruptions following the Union Pacific/Southern Pacific merger. As the Board is aware, service crises disrupt all areas of the economy, including shippers, railroads and the national economy.

TACA appreciates the Surface Transportation Board's consideration of the long term impact of railroad mergers. The Board's decision to include consideration of other railroads' reactions to future rail mergers in its evaluation and the impact to shippers is commendable. This new approach will allow the Board to better understand the impact of mergers on competition, rates and service levels.

All of us have experienced how severe the national economy can be impacted by railroad merger decisions. Without a dependable competitive rail infrastructure, basic construction costs escalate thirty to forty percent. Nothing can replace competition in achieving best practices and lower prices in the economy. Federal statutes must be designed to protect and assist national commerce, in realizing best practice scenarios for the economy, not in protecting a monopolistic railroad system.

To that effect, TACA recommends the following:

- *The Board consider the interest of the national economy foremost in evaluating future and past mergers.*
- *Rail competition issues must be reevaluated and addressed by the Board to assure economic growth. Competition for market share effects the quality of customer service, pricing and train scheduling, fostering an attitude directed toward customers, not a monopolistic rail system. Market dominant railroads solve revenue problems by raising prices and on justifying existing rates rather than increasing revenue by more customer-responsive service.*
- *The board consider additional consolidation of the railroad industry, without changes to key issues, could further diminish effective customer service, and reasonable rates. Shippers could face a railroad-industry with service inflexibility, not responsive to the needs of the customer for effective rates and services, concerned more with its needs than the needs and requirements of the shipping public.*
- *The Board consider the Canadian Terminal Access Model, used in major metropolitan areas, as a method of resolving limited rail access issues in market dominant major United States cities, assuring all shippers the rights to at least two major haul railroads. The Board could determine a method of assuring competitive access while respecting railroad's property rights. Reciprocal switching, with charges sufficient to cover the serving railroad's reasonable costs and recognizing its investment in the property used to access shippers, appears to work in Canada.*

Thank you for this opportunity to detail the recommendations of the Texas Aggregates and Concrete Association during your consideration of major rail consolidations and their affects on the nation's economy. The members of the association look forward to working with the STB and your capable staff to further insure quality service for our nation's rail systems. In the meantime, if you have any further queries on this or any other matter, please do not hesitate to contact *Michael K. Stewart, TACA's vice president, governmental affairs at 800.252.3719.*